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Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

In the Matter of	)	
	)	
Tariffs Implementing	)	CC Docket No. 97-250
Access Charge Reform	)	

DIRECT CASE OF THE CITIZENS TELECOMMUNICATIONS COMPANIES

The Citizens Telecommunications Companies, on behalf of the incumbent local exchange telecommunications subsidiaries of Citizens Utilities Companies (hereinafter referred to as "Citizens") by its attorney, hereby file their Direct Case in response to the issues designated in *Tariffs Implementing Access Charge Reform*, CC Docket No. 97-250, Order Designating Issues For Investigation and Order On Reconsideration, DA 98-151 (Com. Car. Bur., rel. January 28, 1998) (the "*Designation Order*").[1] In support of its Direct Case, Citizens shows as follows:

I. Non-Primary Residential Line Counts

Attachment 1 hereto is Citizens' response to the form presented in Appendix B to the *Designation Order*.

The Citizens LECs are rural telephone companies as defined in Section 3(37) of the Communications Act of 1934, as amended, 47 U.S.C. § 153(37). As a group of rural carriers primarily assembled through multiple acquisitions, the Citizens LECS currently utilize multiple billing platforms. Most of these billing platforms do not currently maintain identification of service

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[1] The *Designation Order*, at para. 102, names the parties designated in the investigation. It does not include Citizens. However, the Citizens' tariff materials filed in this proceeding were suspended for one day and order investigated, along with those of the other price cap regulated carriers. *See* Tariffs Implementing Access Charge Reform, CC Docket No. 97-250, Memorandum Opinion and Order, DA 97-2724 (Com. Car. Bur., rel. December 30, 1997). Under the circumstances, Citizens assumes that its omission from the list of parties designated in this proceeding was in error.

addresses, those LECs must make primary/non-primary residential line determinations upon residential billing account information or relationships. For each residential billing account, a primary line was identified by the billing code applicable to the service. For each additional residential service line associated with an account, non-primary status is assigned.

There are two fundamental reasons why Citizens uses the approach it uses to determining what residential lines are classified as primary and what are classified as non-primary. First and foremost, the FCC has, as yet, offered no guidance in making this rather complex determination. This is obvious in Citizens' response on page 2 of Attachment 1. Simply put, the persons responsible for filling in the chart could not tell what the relationship is between all of the individuals surnamed Adams with lines located at 123 Elm. They had to surmise that N. and P. Adams both reside in Apartment No. 1 at the address, while P., P. Boyd and F. Boyd Adams all reside in Apartment No. 2., but had no way of knowing what their relationships were, other than common last names.

Second, in the absence of any guidance on the definitional issue, the Citizens LECs cannot justify the investment required to convert all of their billing systems to maintain service addresses in their billing systems.[2] Indeed, if and when that concrete guidance comes, it will take an extended period of time to make the required changes.

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[2] Prior to the Commission's decision in Access Charge Reform, CC Docket No. 96-262, First Report and Order, 12 FCC Rcd 15982 (1997) (*Access Charge Reform Order*), no need existed for the Citizens LECs to give consideration to maintaining service addresses in their billing systems. Service address records have historically been maintained in a different system, the maintenance records system without any need to be linked to billing records systems.

II. Calculation of Exogenous Cost Changes For Line Ports and End Office Trunk Ports

In paragraph 48 of the *Designation Order*, the observation is made that,

> After seven years of price caps, it is likely that Part 69 revenue requirements have a very attenuated relationship to the costs actually recovered through any particular rate element. Therefore, tentatively conclude that revenues, and not Part 69 revenue requirements, are the best measure of the costs recovered through a particular price cap rate element.

As a general proposition, this statement is a sensible, long run conclusion in the case of most exogenous adjustments. However, there are two factors that must be taken into consideration in applying this general conclusion to specific cases. First, Citizens has been under price cap regulation only since July 1996. Accordingly, there is no reason to believe that, at this point in time, any significant attenuation has taken place between the Citizens LECs' Part 69 revenue requirements and the costs actually recovered through individual rate elements. Next, a single approach for cost determination for all types of exogenous costs is not always reasonable because of the varying means by which exogenous cost adjustments arise.

Citizens entered price cap regulation on July 1, 1996. Since that time, it has made only one exogenous cost change unrelated to routine annual filing matters such as TRS fees, regulatory fees, USF payments, sharing obligations and low-end adjustments – the removal of payphone equipment from regulation. In that instance, it developed the associated revenue requirement for payphone equipment and removed that revenue requirement from its price capped rates. This methodology resulted in a redistribution of interstate revenue requirements among price cap baskets resulting in access rate changes. Citizens believes that, in its case in dealing with payphone deregulation, this methodology was appropriate considering the short period of time that the Citizens LECs had been under price cap regulation.

Because of their limited price cap experience, Citizens believes that its revenue requirement basis for calculating certain access reform-related adjustments, such as those for line ports and end office trunk ports, was reasonable and appropriate.

III. Marketing Expense and COE Maintenance Expense Exogenous Cost Changes

Citizens believes that the data it submitted with its tariff filing is fully compliant with applicable requirements for removal of marketing expenses and COE maintenance expenses from the TIC. Marketing expenses were removed from the TIC (*see* page 40 of 62, TRK-SBI worksheet for Citizens Access Reform filing). COE maintenance expenses were removed from the TIC (*see* Citizens TIC Reallocation Worksheet) and reallocated to other baskets or elements. The allocation of revenues for marketing expenses and COE maintenance expenses was based on relative switched access revenues, as requirement by applicable FCC Rules as required in paragraphs 223 and 323, respectively, of the *Access Charge Reform Order*. The Citizens LECs submit the approach that they took is correct. Further, all the exogenous cost changes Citizens made were to the TIC as it existed prior to July 1, 1997. *See* Attachment 2 hereto.

IV. Use of Actual Minutes of Use In Developing New TIC Rates

Attachment 3 hereto is a recapitulation of Citizens development of its new TIC rates. Page 4 of 6 displays the development of the actual minutes of use per trunk per month. This estimate was based on the data used in Citizens original local transport restructure filing. Trunk types are equated and actual minutes from that filing were used to determine the minutes of use per trunk, per month. The derived minutes of use were then compared to the 9000 assumed minutes of use per month level to determine the difference in equated trunks. The difference in equated trunks was then applied to the "high cap" termination rate to determine the amount of TIC associated with the 9000 assumed minutes of use per month. The amount of TIC associated

with the 9000 assumed minutes of use per month was then brought forward to page 1 of 6 and is shown to represent a percentage of the original TIC. This percentage was then applied to the TIC rate to determine the revised, residual TIC rate.

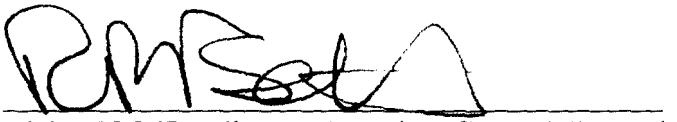
Citizens believes that the approach just described is consistent with the tentative conclusions reached in paragraph 79 of the *Designation Order*. Citizens' SBIs were not affected by this approach because its average minutes of use per trunk was less than the 9000 assumed minutes of use per month.

V. The USF Recovery Issue

At paragraph 97 of the *Designation Order*, Citizens is instructed to justify its allocation of USF contribution to its local switching basket. Citizens is in the process of making a corrective tariff filing to correct this matter. A word is, however, in order on why Citizens originally filed as it did. It made the original allocation to the local switching basket based on the fact that it receives local switching support payment. This support is funded from the USF high cost fund to which Citizens is a contributor. Citizens is one of the few, if not the only, price cap carriers that receives local switching support.

Respectfully submitted,

THE CITIZENS TELECOMMUNICATIONS COMPANIES



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February 27, 1998

Attachment 1

Citizens Communications
FCC Designation Order - CC Docket 97-250
Appendix B

CTC - 1

	I. Line Count Data Formation						II. Line Count Data Identification			
	Number (Note A)	Sources	Search	Collection	Time Period		First	Second	Third	Fourth
Primary Residential Lines	6,477,419	D1,D2,D3	S1	C7	T2	1996	A1	L3	B2	
Single Line Business	1,096,420	D1,D2,D3	S1	C7	T2	1996	N1			
Non-Primary Residential Lines	204,498	D1,D2,D3	S1	C7	T1	12/96	A1	L3	B2	
BRI - ISDN Lines	471	D1,D2,D3	S1	C7	T2	1996	N1			

CTC - 2

	Number	Sources	Search	Collection	Time Period		First	Second	Third	Fourth
Primary Residential Lines	1,003,263	D1,D2,D3	S1	C7	T2	1996	A1	L3	B2	
Single Line Business	168,948	D1,D2,D3	S1	C7	T2	1996	N1			
Non-Primary Residential Lines	29,653	D1,D2,D3	S1	C7	T1	12/96	A1	L3	B2	
BRI - ISDN Lines	57	D1,D2,D3	S1	C7	T2	1996	N1			

Note A - Line types are totals as used in the filing effective January 1, 1998

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Worksheet

Implementation of Definition - Based on you RESIDENTIAL LINE definitions, please classify the data in the last column below as P for Primary Residential or NP for Non-Primary Residential lines. You may add columns and/or show additional criteria needed to to illustrate the implementation of you line definitions.

Customer	Billing/ Account No.	Line Location	Phone Numbers	Installation Date (Order)	Sevice/Inc. Work Order	Billing Address	Decision
N. Adams	555-1111 67	123 Elm #1	555-1111	1/1/96	6789 - 1111	P.O.	PRIMARY
P. Adams	555-2222 67	123 Elm #1	555-2221	5/5/96	6789 - 2221	P.O.	PRIMARY
P. Adams	555-3333 45	123 Elm #2	555-3333	3/3/96	4567 - 3333	P.O. Box 123	PRIMARY
P Boyd-Adams	555-4444 56	123 Elm #2	555-4444	4/5/96	5678 - 4444	P.O.	PRIMARY
F. Boyd-Adams	555-4447 56	123 Elm #2	555-4447	5/5/96	5678 - 4447	P.O.	PRIMARY

Note - Employing the billing relationship criteria results in these lines being classified as primary due to the individual billing accounts.

Attachment 2

Citizens Telecommunications Companies
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Transitional Interconnection Charge (TIC) reallocation

CTC-1	Pre 7/97 Rate	Allocated TIC rate	Base period Revenue	Distribution of 7/1/97 adjusted TIC
TIC information	**0.011094**		2,001,053,315	
Rate times demand - TIC revenue			$ 22,199,685	$ 11,656,883
Reallocations				-
1 Tandem revenue requirement	26.74%	0.002967	$ 5,936,196	5,350,226
1/1/98 rev req adjustment - 33% of tandem rev req per FCC order (4,188,406 * .333)				**1,781,625**
2 SS7 costs	1.03%	0.000114	228,657	206,086
3 Host/Remote configuration	2.92%	0.000324	648,231	648,231
4 COE maintenance	1.42%	0.000158	315,236	288,132
5 Dedicated End Office Trunk Sw Ports	4.34%	0.000481	963,466	868,361
6 Multiplexers in Tandem Switched Tran	4.92%	0.000546	1,092,225	984,410
7 Actual MOUs vs 9000 minutes	13.94%	0.001547	3,094,636	2,789,161
Revised Residual TIC (NFB)	**44.69%**	**0.004958**	9,921,039	**522,277**
Original Residual TIC			9,607,544	
Change in Residual TIC			**$ (313,495)**	

NOTE:

The redistribution of the Pre-July 1, 1997 TIC. The July filing incorporated TIC adjustments based on FCC approved 55% residual TIC. After completing TIC reallocation the actual residual TIC is 34.96%

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Transitional Interconnection Charge (TIC) reallocation

CTC-2	Pre 7/97 Rate	Allocated TIC rate		Base period Revenue	Distribution of 7/1/97 adjusted TIC
TIC information	**0.015421**			351,934,473	
Rate times demand - TIC revenue			$	5,427,178	$ 2,832,776
Reallocations					109,620
1 Tandem revenue requirement	11.66%	0.001798	$	632,809	604,956
1/1/98 rev req adjustment - 33% of tandem rev req per FCC order (1,055,154 * .333)					**201,450**
2 SS7 costs	3.22%	0.000497		174,755	167,063
3 Host/Remote configuration	12.98%	0.002002		704,448	704,448
4 COE maintenance	-0.96%	-0.000148		(52,101)	(20,984)
5 Analog End Office Trunk Switch Ports	15.50%	0.002390		841,213	804,187
6 Dedicated End Office Trunk Sw Ports	4.72%	0.000728		256,163	244,888
7 Multiplexers in Tandem Switched Tran	3.46%	0.000534		187,780	179,515
8 Actual MOUs vs 9000 minutes	4.87%	0.000751		264,304	252,670
Revised Residual TIC (NFB)	**44.55%**	**0.006870**		2,417,808	**5,654**
Original Residual TIC				2,527,428	
Change in Residual TIC			**$**	**109,620**	

NOTE:

The redistribution of the Pre-July 1, 1997 TIC. The July filing incorporated TIC adjustments based on FCC approved 55% residual TIC. After completing TIC reallocation the actual residual TIC is 44.55%.

Attachment 3

Citizens Telecommunications Companies
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TIC Reallocation

Component	Original TIC CTC1	% of Total TIC Revenues	Original TIC CTC2	% of Total TIC Revenues
Total TIC Revenues	$20,265,585	100.00%	$4,966,910	100.00%
80% of Tandem Revenue Requirement	$5,418,953	26.74%	$578,918	11.66%
CCS/STP Costs Allocated to Tandem Switching	$207,821	1.03%	$160,176	3.22%
Host/Remote Configurations	$591,597	2.92%	$644,676	12.98%
COE Maintenance Misallocations	$288,132	1.42%	($47,939)	-0.97%
Analog End Office Trunk Switch Ports	$0	0.00%	$769,822	15.50%
Dedicated End Office Trunk Switch Ports	$878,838	4.34%	$234,574	4.72%
Multiplexers in Tandem Switched Transport	$997,481	4.92%	$171,812	3.46%
Actual MOUs vs 9000	$2,824,912	13.94%	$242,102	4.87%
Remaining TIC	**$9,057,851**	**44.70%**	**$2,212,769**	**44.55%**

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Host Remote Configurations

CTC1	State	Study Area	Host Remote Rev Req
	Arizona		
		Wht Mnts	$71,241
		Rural	$19,277
		Embedded	$51,624
	Idaho		$0
	Montana		$0
	Utah		$11,679
	New York	Red Hook	$11,247
		UCI	$90,583
		WD	$0
	Tennessee	GTE	$0
	W. Virginia	GC	$78,515
		GG	$158,529
	Total CTC 1		**$492,695**

CTC 2	State	Study Area	Host Remote
	Arizona	Navajo	$433,871
	California	Golden States	$22,483
		Toulume	$0
	New Mexico	Navajo	$0
	Utah	Navajo	$0
	Nevada		$56,377
	Oregon		$74,746
	Tennessee	Volunteer	$3,559
	W. Virginia	MS	$53,640
	Total CTC 2		**$644,676**

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Access Line Port Cost

Study Area	Access Line	Per Line Port Cost	Total Cost	BRI ISDN	Per Line ISDN Cost	PRI ISDN	Per Line ISDN Cost	BRI Total Cost	PRI Total Cost	Total Switched To CCL
CTC 1										
Arizona Urban	77,257	4.12	318,407							318,407
White Mountain	32,384	4.37	141,557							141,557
CTC California	93,688	4.45	416,671							416,671
Idaho	18,715	6.06	113,458							113,458
Montana	7,939	5.86	46,493							46,493
Utah	18,497	5.59	103,375							103,375
Tennessee	67,024	5.18	347,466	39	29.47	1	416.83	1,149	417	349,032
West Va. C	32,356	3.75	121,463							121,463
West Va. G	78,143	3.79	295,960							295,960
NYRH	15,065	3.59	54,119							54,119
NYUCI	245,327	5.04	1,237,161							1,237,161
NY Western	25,587	3.80	97,282							97,282
Total	**711,982**		**3,293,411**	**39**		**1**		**1,149**	**417**	**3,294,978**
Interstate Annualized *			**9,880,234**					**3,253.11**	**59.21**	**9,883,546**
CTC 2										
Tuolomne	5,464	3.18	17,357							17,357
Golden State	14,068	4.20	59,109							59,109
Tennessee Vol	19,268	4.94	95,089	4	39.00			156		95,245
Mountain State	22,215	3.71	82,451							82,451
Nevada	23,208	4.40	102,155							102,155
Navajo Arizona	13,886	5.03	69,842							69,842
Navajo New Mexico	4,665	4.61	21,528							21,528
Navajo Utah	326	6.23	2,031							2,031
Oregon	13,013	5.17	67,214							67,214
Total	**116,113**		**516,775**	**4**				**156**		**516,931**
Interstate Annualized *			**1,550,326**					**448.05**		**1,550,774**

Total Lines **828,139**

*Note: Monthly line cost multiplied by 12 months to arrive at annualized cost; annualized cost then multiplied by .25 Interstate factor to arrive at Interstate cost allocation.
Total BRI & PRI ISDN cost is adjusted to remove loop cost recovery from Subscriber Line Charge (SLC).

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TIC reallocation
9000 minutes vs. actual minutes of use

CTC1

Circuit type	Terminations	Equated Voice grade	Dedicated	Tandem Switched Trunks	Tandem Switched MOUs	MOU per trunk per month
Voice grade	3,688	3,688	1,943			
DS1	4,281	102,744	65,400			
DS3	12	8,064	8,064			
		114,496	75,407	39,089	2,409,374,912	5,137

Equivalent IS terminations based on 9000 MOUs per trunk per month	11,155
Equivalent IS terminations based on actual usage	19,545
Difference in equivalent trunks	8,390
times Hi Cap CMT rate (Per 3/31/95 LTR filing)	336.72
TIC reallocation	**$ 2,824,912**

CTC2

Circuit type	Terminations	Equated Voice grade	Dedicated	Tandem Switched Trunks	Tandem Switched MOUs	MOU per trunk per month
Voice grade	3,593	3,593	3,593			
DS1	1,057	25,368	20,160			
DS3	12	8,064	8,064			
		37,025	31,817	5,208	407,138,468	6,515

Equivalent IS terminations based on 9000 MOUs per trunk per month	1,885
Equivalent IS terminations based on actual usage	2,604
Difference in equivalent trunks	719
times Hi Cap CMT rate (Per 4/2/96 LTR filing)	336.72
TIC reallocation	**$ 242,102**

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TIC reallocation
Multiplexers

	TELRIC per arrangement per minute of use	Tandem Switched Minutes of Use	Multiplexer revenue to be removed from TIC
CTC1	0.000414	2,409,374,912	**$ 997,481**
CTC2	0.000422	407,138,468	**$ 171,812**

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CCS/STP Costs Allocated to Tandem Switching

#	STATE	TANDEM	STP LOCATION	CIRCUIT ID	TYPE	PORT	CARRIER	INT COST	EXT COST			
1	AZ	KGMNAZXC01T	Susanville STP	5209916039/9160210	A	1211 B	CTLD	$1,250.36		20000		
2	AZ	KGMNAZXC01T	Elk Grove STP	138878	A	1211 B	Sprint		$920.49		$22,170.85	Arizona Kingman
3	AZ	SHLWAZXC01T	Elk Grove STP	180435	A	1307 B	Sprint		$829.12	20000		
4	AZ	SHLWAZXC01T	Susanville STP	T5O675260001	A	1307 B	MCI		$1,527.70		$22,356.82	Arizona White Mnts
5	AZ	STMCAZXE02T	Elk Grove STP	200646	A	2115 A	Sprint		$1,086.84	20000		
6	AZ	STMCAZXE02T	Susanville STP	T5R766310001	A	2115 A	MCI		$2,052.25		$23,139.09	Arizona Navajo
7	CA	BRNYCAXF33T	Elk Grove STP	9160610005	A	2213 B	CTZ	$508.00		$88,600.00		
8	CA	BRNYCAXF33T	Susanville STP	9160210007	A	2213 B	CTZ	$274.29				
9	CA	EKGVCAXG42T	Elk Grove STP	HOUSE CABLE	A	2211 B	CTZ	$108.96				
10	CA	EKGVCAXG42T	Susanville STP	138600	A	2211 B	Sprint		$246.09			
11	CA	COLSCAXF00T	Elk Grove STP	9160020795	A	1302 A	CTZ	$276.96				
12	CA	COLSCAXF00T	Susanville STP	T5V612100001	A	1302 A	MCI		$1,614.92			
13	CA	SSVLCAXF25T	Elk Grove STP	9160020162	A	1205 B	CTZ	$446.44				
14	CA	SSVLCAXF25T	Susanville STP	House Cable	A	1205 B	CTZ	$108.96			$92,184.62	California GS/Toulumne
15	NV	ELKONVXF51T/10	Susanville STP	WZ560117	A	2112 B	LDDS		$1,001.25	$40,000.00		
16	NV	ELKONVXF51T/10	Elk Grove STP	T5Y713300001	A	2112 B	MCI		$1,390.00			
17	NV	ELKONVXF51T/D	Elk Grove STP	222497	A	2205 B	Sprint		$1,410.84			
18	NV	ELKONVXF51T/D	Susanville STP	222499	A	2205 B	Sprint		$1,049.94		$44,852.03	Nevada Alltel
19	NY	BNVLNYXA03T	Middletown STP	W56-269560	A	1203 A	Frontier		$534.66	$108,600.00		
20	NY	BNVLNYXA03T	Gloversville STP	77HWDA006911	A	1203 A	CTZ	$268.06				
21	NY	ERVLNYXA01T	Gloversville STP	77HWDA006917	A	2201 A	CTZ	$275.46				
22	NY	ERVLNYXA01T	Middletown STP	W56-269559	A	2201 A	Frontier		$516.97			
23	NY	GLVVNYXA01T	Gloversville STP	HOUSE CABLE	A	2301 A	CTZ	$108.96				
24	NY	GLVVNYXA01T	Middletown STP	WZ521095	A	2301 A	LDDS		$853.16			
25	NY	MDTWNYXA03T	Gloversville STP	77HWDA006918	A	1303 A	CTZ	$375.48				
26	NY	MDTWNYXA03T	Middletown STP	97DWDA007367	A	1303 A	CTZ	$108.96				
27	NY	NRWCNYXA03T	Gloversville STP	77HWDA006919	A	2103 A	CTZ	$273.57				
28	NY	NRWCNYXA03T	Middletown STP	97HWDA006242	A	2103 A	CTZ	$361.74			$112,277.02	New York UCI
29	TN	CKVLTNXA71T	Cookeville STP	HOUSE CABLE	A	2101 A	CTZ	$108.96		$28,600.00		
30	TN	CKVLTNXA71T	Powell STP	CIT0000055	A	2101 A	CTZ	$317.75			$29,026.71	Tennessee GTE/Contel
31	WV	BLFDWVXA13T	Middletown STP	WZ513880	A	2305 A	LDDS		$819.24	$20,000.00		
32	WV	BLFDWVXA13T	Gloversville STP	AREC465083	A	2305 A	AT&T		$1,170.64		$21,989.88	West Virginia GTE/Contel
							TOTAL:	$5,172.91	$17,024.11	$325,800.00	$367,997.02	

CTC 1

Arizona Kingman	$22,170.85
Arizona White Mnts	$22,356.82
New York UCI	$112,277.02
Tennessee GTE/Contel	$29,026.71
West Virginia GTE/Contel	21989.88
CTC 1 Total	**$207,821.28**

CTC 2

Arizona Navajo	$23,139.09
California GS/Toulumne	$92,184.62
Nevada Alltel	$44,852.03
CTC 2 Total	**$160,175.74**